Argentina: Background and U.S. Relations

Mark P. Sullivan  
Specialist in Latin American Affairs

Rebecca M. Nelson  
Specialist in International Trade and Finance

March 22, 2016
Summary

Argentina, a South American country with a population of almost 43 million, has had a vibrant democratic tradition since its military relinquished power in 1983. Current President Mauricio Macri—the leader of the center-right Republican Proposal (PRO) and the candidate of the Let’s Change coalition representing center-right and center-left parties—won the 2015 presidential race and was inaugurated on December 10, 2015. He succeeded two-term President Cristina Fernández de Kirchner, from the center-left faction of the Peronist party known as the Front for Victory (FPV), who was first elected in 2007 (succeeding her husband, Néstor Kirchner, who served one term). In a close race, Macri defeated the FPV’s Daniel Scioli. Macri’s election ends the 12-year run of so-called Kirchnerismo that helped Argentina emerge from a severe economic crisis in 2001-2002 but also was characterized by protectionist and unorthodox economic policies and at times difficult relations with the United States. Since Macri’s Let’s Change coalition does not have a majority in Argentina’s Congress, the new president will need to reach out to Peronist party factions to secure approval of the coalition’s legislative agenda.

Argentina has Latin America’s third-largest economy and is endowed with vast natural resources. Agriculture has traditionally been a main economic driver, but the country also has a diversified industrial base and a highly educated population. In 2001-2002, a severe economic crisis precipitated by unsustainable debt led to the government defaulting on nearly $100 billion in foreign debt owed to private creditors, the International Monetary Fund (IMF), and foreign governments. Subsequent Argentine administrations resolved more than 90% of the country’s debt owed to private creditors through two debt restructurings offered in 2005 and 2010; repaid debt owed to the IMF in 2006; and, in May 2014, reached an agreement to repay foreign governments, including the United States.

Reaching a settlement with the private creditors that did not participate in the exchanges—the “holdouts”—has been a more protracted process. Macri made it a priority to resolve the 15-year standoff with private creditors, and, in February 2016, the Argentine government reached an agreement with the major remaining holdouts. If implemented, this agreement could help Argentina normalize its “rogue debt” reputation and return to capital markets.

U.S. Relations

Macri’s election has brought to power a government that has emphasized improving relations with the United States. U.S.-Argentine relations generally are characterized by robust commercial relations and cooperation in such issues as nonproliferation, human rights, education, and science and technology. At times, however, there were tensions in relations under the Kirchner governments, including over the U.S. judicial cases regarding the holdout creditors.

In addition to resolving the long-standing dispute with Argentina’s holdout creditors, Macri has expressed similar views as the United States regarding concerns about human rights problems in the Americas. He has been particularly critical of the Venezuelan government’s repression of its political opponents. A continued interest of the U.S. Congress is progress in the investigation and prosecution of those responsible for the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) that killed 85 people, as well as the investigation into the January 2015 death of Alberto Nisman, the prosecutor in the AMIA investigation. Both Iran and Hezbollah are allegedly linked to the AMIA bombing. The Macri government announced that it would not file an appeal against an Argentine court ruling that declared unconstitutional a 2013 agreement with Iran to jointly investigate the AMIA bombing. The government has also taken efforts to press forward with the AMIA investigation.
Demonstrating the significant change in U.S.-Argentine relations, President Obama is scheduled to travel Argentina March 22-24, 2016, on a state visit, with the goal of increasing bilateral cooperation in such areas as trade and investment, renewable energy and climate change, and citizen security. President Obama will also announce a comprehensive effort to declassify additional U.S. documents from the era of Argentina’s so-called Dirty War, the 1976-1983 period of military rule in which thousands were killed. (See “President Obama’s March 2016 Visit to Argentina,” below.)

This report provides background on the political and economic situation in Argentina and U.S.-Argentine relations. An Appendix provides links to selected U.S. government reports on Argentina.
Contents

Political and Economic Situation ........................................................................................................... 1
  2015 Presidential Election .................................................................................................................. 4
  Macri Administration ....................................................................................................................... 5
  Human Rights Issues ......................................................................................................................... 7
  Economic Snapshot and Challenges ................................................................................................. 8

U.S.-Argentine Relations ....................................................................................................................... 9
  Changes in Bilateral Relations Under the Macri Government .......................................................... 11
    President Obama’s March 2016 Visit to Argentina ...................................................................... 12
  Trade and Investment Issues ............................................................................................................ 13
  Debt Issues ....................................................................................................................................... 14
    Debt Owed to the Paris Club Countries ......................................................................................... 15
    Debt Owed to Private Bondholders ............................................................................................. 15
  AMIA Investigation and Death of Alberto Nisman ........................................................................... 17

Outlook ............................................................................................................................................... 20

Figures

Figure 1. Map of Argentina, with Provinces ....................................................................................... 2

Appendixes

Appendix. Selected U.S. Executive Branch Reports ............................................................................ 21

Contacts

Author Contact Information .................................................................................................................... 21
Argentina—a South American nation located in the continent’s southern cone—has had elected civilian democratic rule for more than 32 years since the military relinquished power in 1983 after seven years of harsh dictatorship. The military’s so-called Dirty War against leftists and their sympathizers in the late 1970s and early 1980s had resulted in thousands of disappearances. The military ultimately fell into disrepute in the aftermath of its failure in the Falkland Islands (Islas Malvinas) war with Great Britain in 1982, and the country returned to civilian democratic rule with the election of Raúl Alfonsín of the Radical Civic Union (UCR) as president in 1983. Carlos Menem of the Justicialist Party (PJ), also known as the Peronist Party, won the 1989 elections and served two presidential terms until 1999, during which he transformed Argentina from having a state-dominated protectionist economy to one committed to free market principles and open to trade.  

Increasing corruption and high unemployment, however, led to the defeat of the Peronists in the 1999 presidential election, which was won by Fernando de la Rúa of the UCR as the candidate of a coalition known as the Alliance for Work, Justice, and Education.

In 2001–2002, Argentina’s democratic political system endured considerable stress amid a severe economic crisis and related social unrest. In late 2001, as the banking system faltered and confidence in the government of President de la Rúa evaporated, widespread demonstrations turned violent, and the president resigned. The subsequent interim government then defaulted on nearly $100 billion in public debt, the largest sovereign default in history at the time. Ultimately, the political system survived the crisis. President Eduardo Duhalde (January 2002-May 2003), a Peronist (Justicialist Party, PJ) senator selected by Congress to fill out the remainder of President de la Rúa’s term, implemented policies that stabilized the economy; then, left-leaning President Néstor Kirchner (May 2003–December 2007), a Peronist who had served as a provincial governor of Santa Cruz in Patagonia, further enhanced internal political and economic stability.

---

1 Peronism as a political movement dates to the 1940s when Juan Domingo Peron, a colonel serving as Secretary of Labor in a military government that assumed power in 1943, went on to build a formidable political base through support from the rapidly growing union movement. Peron was ousted by the military in 1955, but after 18 years of exile, he returned and was reelected president in 1973. He died a year later and was succeeded by his second wife Isabel, who had little political experience. Economic and political chaos ensued, with political violence surging and the country experiencing its first bout of hyperinflation. The military intervened in 1976 and ruled until the return to democracy in 1983. Today in Argentina, Peronism has many different factions across the political spectrum.
Figure 1. Map of Argentina, with Provinces

Source: Prepared by Calvin C. DeSouza, Geospatial Information Systems Analyst, CRS.
Despite some difficulties, Kirchner made popular policy moves in the areas of human rights and economic policy that helped restore Argentines’ faith in democracy. In June 2005, the government offered the first of two restructurings of its defaulted private bond debt with a historically low recovery rate to bondholders (about 30% on a net present value basis). While this was politically popular in Argentina, the government’s failure to repay its arrears to official Paris Club creditors or to reach a deal with remaining private creditors in defaulted bond debt who did not accept the government’s offer continued to prevent Argentina from having full access to international capital markets. Legislative elections in 2005 demonstrated strong support for Kirchner; his left-leaning wing of the PJ, known as the Front for Victory (FPV), made significant gains. Kirchner would have been eligible to run again in the 2007 presidential elections, but instead he supported the candidacy of his wife, Senator Cristina Fernández de Kirchner (hereinafter Fernández).

Cristina Fernández completed her second term as president in December 2015. She had won her first term in 2007 with 45% of the vote, defeating her closest rival by 23 points, and became the first woman in Argentine history to be elected president. In concurrent legislative elections, Fernández’s FPV faction of the PJ gained further seats, solidifying its majority in both houses of Argentina’s bicameral Congress. Nevertheless, Fernández’s political honeymoon was short-lived because of an energy crisis and a series of farmers’ strikes that led to the congressional defeat of her proposed tax increase on key agricultural exports. As a result, the Kirchners suffered a significant setback in the 2009 legislative elections, with the FPV losing control of both houses. It appeared that former President Kirchner was poised to run again for the presidency in 2011, but his death from a heart attack changed the political landscape. Instead, Fernández ran for reelection and won a second mandate in October 2011 with 54% of the vote, the largest percentage in a presidential race since the country’s return to democratic rule. Her support was buoyed by an outpouring of sympathy after the death of her husband as well as by the absence of a strong opposition candidate. The President’s FPV also regained a legislative majority in both houses of Congress.

President Fernández’s popularity, however, fell considerably after her reelection amid large-scale public protests against corruption, increasing crime, the government’s economic policies, and the government’s efforts to exert influence over the media and the judiciary. In Argentina’s October 2013 legislative elections, in which one-half of the Chamber of Deputies and one-third of the Senate were at stake, President Fernández’s Front for Victory managed to retain control of both houses. The FPV and its allies gained several seats in the 257-seat Chamber of Deputies, and in the 72-member Senate, the FPV lost several seats but retained a majority.² Nevertheless, the FPV was unable to secure the two-thirds majorities needed to approve a constitutional reform that would have allowed President Fernández to run for a third consecutive term in 2015.

In 2014, despite her lame duck status, President Fernández still achieved congressional approval for initiatives to regulate the oil sector, reform telecommunications, and revise the civil and criminal codes.³ Her government also did an about face by resolving long-standing arbitral disputes with foreign companies and finalizing an agreement to pay foreign government creditors. However, the Fernández government’s impasse with private creditors who did not participate in the government’s debt restructurings in 2005 and 2010—the so-called “holdouts”—intensified in 2014 because of U.S. court rulings that made it difficult for Argentina to make payments on its restructured debt unless it also paid the holdouts (see “Debt Issues” below).

In the first half of 2015, the Fernández government was grappling with the fallout from the death of Alberto Nisman, the special prosecutor who, for the last decade, had been investigating the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in which 85 people were killed. In January 2015, Nisman was found dead from a gunshot wound just a day before he was to testify before Argentina’s Congress regarding explosive accusations that President Fernández and other government officials attempted to whitewash the AMIA investigation in efforts to improve relations with Iran. After Nisman’s death, an Argentine prosecutor took up Nisman’s case against President Fernández related to Iran, but it was ultimately dismissed in April 2015. In the aftermath of Nisman’s allegations, President Fernández’s popularity fell to under 30%, but it subsequently increased in the second half of the year to 50%. (For more, see “AMIA Investigation and Death of Alberto Nisman” below.)

2015 Presidential Election

On November 22, 2015, Argentines went to the polls in the second round of the 2015 presidential race and opted for change by electing Mauricio Macri of the opposition Let’s Change coalition representing center-right and center-left parties. Macri defeated Daniel Scioli, the candidate of the FPV, the leftist Peronist party faction of President Fernández. In a close race, Macri, the mayor of Buenos Aires, took 51.4% of the vote compared to 48.6% for Scioli, the outgoing governor of Buenos Aires province.

Macri is the leader of the center-right Republican Proposal (PRO) party and was completing his second term as mayor. He has a business background and also served as president of one of Argentina’s most popular football clubs, Boca Juniors. One difficulty for Macri’s candidacy was that his Buenos Aires-centered political party was thought not to have a nationwide reach. During the August 2015 primary campaign, Macri moved more to the center so as not to alienate those Argentines supportive of the government’s social programs. As part of an attempt to expand his base, Macri supported protests by farm groups who oppose the government’s imposition of export taxes. He emphasized unity among the PRO and two other parties of the Let’s Change coalition—the center-left Radical Civic Union (UCR) and the center-left Civic Coalition.

Scioli had won the first presidential round held on October 25, with 37.1% of the vote, compared to 34.2% for Macri, and 21.4% for Sergio Massa, a deputy in Argentina’s Congress who headed a centrist dissident Peronist faction known as United for a New Alternative (UNA). A second round was required between Scioli and Macri since no candidate received 45% of the vote or 40% of the vote with a 10-point lead. Macri’s strong performance in the first round, between 5% and 8% higher than predicted, gave him significant momentum going into the second round. A key factor in the second round was whether Macri would be able to capture the votes of moderate Peronists who had supported Sergio Massa.

Scioli was a close ally of President Kirchner, serving as his vice president from 2003 to 2007. Going into the presidential race, Scioli reportedly was not close to President Fernández, but ultimately received her endorsement. Some observers contend that Scioli was burdened by being tied to the Kirchners and in particular, the polemic figure of President Fernández. According to press reports, a growing number of Argentines had become fatigued by her strong governing style and reports of corruption by her prominent supporters.

---


6 Ibid.
Some observers described Macri’s victory as a political earthquake in Argentina that constituted a rebuke for Kirchnerismo, although the close presidential race (with less than 3% separating Macri and Scioli) also reflected a deeply divided electorate. Perhaps as a reflection of this close divide, Macri said his victory was “the changing of an era,” but would not be about “revenge” or “settling scores.”

Macri Administration

Inaugurated on December 10, 2015, President Macri has moved swiftly to usher in changes in the government’s economic, foreign, and other policies. His election ended the 12-year run of so-called Kirchnerismo that helped Argentina emerge from a severe economic crisis in 2001-2002, but also was characterized by protectionist and unorthodox economic policies and at times difficult relations with the United States.

In the economic sphere, the Macri government lifted currency controls within President Macri’s first week in office, which caused a rapid devaluation of the Argentine peso by some 30%. The action was taken to contend with capital flight and generate needed foreign investment. Currency controls had first been implemented by the Fernández government in 2011 to avoid depreciation of the peso. The Macri government also moved to eliminate taxes on most agricultural exports, with the exception of soybeans (Argentina’s largest export), for which export taxes were lowered from 35% to 30% and are to be lowered each year by 5% until their elimination. Export taxes had first been imposed in 2002 and were used by the Kirchner and Fernández governments to boost government revenue for social programs, but the policy resulted in a decline in agricultural production and hoarding by some producers. Argentina’s devaluation and elimination or reduction of agricultural export taxes has increased farmers’ revenue.

The Macri government also overhauled the leadership and staff of the National Institute of Statistics and Census (INDEC) that for many years was criticized for producing inaccurate inflation and other economic data. The publication of such statistics has been suspended for now, and it will take some time for the agency to publish new data. Initially, the Macri government hired the former head of INDEC, Graciela Bevacqua, as the agency’s new technical director. Bevacqua had been fired in 2007 by the previous government when she resisted the manipulation of inflation data. After being rehired, Bevacqua again was forced out recently by the new INDEC head Jorge Todesca because she said publicly that it would take until at least September for the agency to resume publication of credible inflation and other economic data. The Macri government wants a commitment by INDEC to produce a new consumer price index much sooner, reportedly because of pressure from unions going into wage bargaining rounds in the second quarter of this year and because of overall market nervousness over the lack of data to gauge economic progress. Todesca maintains that INDEC will produce a new consumer price index by June 2016.

During the electoral campaign, Macri had vowed to resolve the long-standing dispute with holdout creditors who did not participate in previous debt restructurings. His new government

[References]

held its first formal meeting with holdout creditors on January 13, 2016, and reached agreements with the major holdouts in February 2016. The lower house of Argentina’s Congress approved the deal on March 16, 2016, and the measure now goes to Argentina’s Senate. If approved, the settlement would essentially resolve a thorny issue that has effectively kept Argentina out of international financial markets (see “Debt Issues” below).

In the foreign policy arena, President Macri’s new foreign minister, Susana Malcorra, who had been serving as chief of staff for U.N. Secretary General Ban Ki-moon, is helping to pilot the government on a new course toward improved relations with Brazil, Uruguay, the United States, and the pro-market countries of the Pacific Alliance—Chile, Colombia, Mexico, and Peru. Macri has been strongly critical of the Venezuelan government’s repression of its political opponents, demonstrating a sharp departure from the Fernández government’s close relations with Venezuela. For some observers, Macri’s election is a reflection of the ebbing of the so-called “pink tide” of populist leftist leaders in Latin America. With regard to Iran, President Macri announced soon after his election that his government would not appeal an Argentine court ruling that declared unconstitutional a 2013 agreement with Iran to jointly investigate the 1994 AMIA bombing (see “AMIA Investigation and Death of Alberto Nisman” below).

In other domestic policy moves, President Macri announced the appointment of two Supreme Court justices to the Supreme Court in mid-December 2015, an action that was criticized strongly across the political spectrum for bypassing Argentina’s Congress when it was in recess. Supreme Court appointments require approval of two-thirds of the Senate, where the now-opposition FPV currently enjoys a majority. Because of the political fallout, Macri delayed the appointment of the two justices in an effort to build support and allow for congressional consideration. The Argentine Senate has begun to take up consideration of the two Supreme Court nominees, and a vote is expected before the end of March 2016.10

President Macri also issued a decree in late December amending the Fernández government’s 2009 media law, which was designed to curtail media monopolies. Macri’s decree abolishes two regulatory agencies that were established by the media law and establishes a single new agency to oversee audiovisual and telecommunications companies. (See further discussion, below, under “Human Rights Issues.”)

Since taking office, President Macri has taken a series of measures to combat organized crime, particularly drug trafficking, which he maintains was ignored by the previous government. In January 2016, he issued a decree declaring a one-year national security emergency to combat drug trafficking. The decree calls for the immediate deployment of additional federal security at Argentina’s borders and the establishment of a new radar system, and it provides authority to the armed forces to shoot down aircraft suspected of drug trafficking.11 In February 2016, President Macri decreed the establishment of a new drug agency to prevent illicit trafficking, provide technical assistance in related court cases, and oversee the use and control of chemical ingredients and substances that could be used to make drugs.12

In the aftermath of Macri’s electoral victory, some observers maintained that the new president could face difficulty moving forward with some of his policy changes given that Macri’s party and other parties in the Let’s Change coalition only have a minority of seats in both houses of Argentina’s Congress. In October 2015, in addition to the first presidential electoral round,

---

Argentines also voted in legislative elections for one-half of the Chamber of Deputies and one-third of the Senate. The FPV—the leftist Peronist faction of former President Fernández—retained the largest bloc of seats in the lower house and a majority in the Senate. In the aftermath of the second presidential round in November, Sergio Massa pledged that his centrist Peronist bloc would support Macri, although he maintained that he would not give Macri a blank check.\(^{13}\) In early February 2016, a group of 12 deputies in the lower house split from the FPV to form a new Peronist faction.\(^{14}\) In March 2016, the Macri government’s success in securing substantial support in the Chamber of Deputies for a bill to allow the government to pay the holdout creditors demonstrated that Macri has the ability to secure support in Congress from Peronists—the bill was approved by a vote of 165-85.\(^{15}\) Looking ahead, the Macri government will continue to need the backing of some Peronists to secure support for President Macri’s legislative agenda.

### Human Rights Issues

Both the Kirchner and the Fernández governments made significant efforts to bring to justice those responsible for the killing of thousands of people (some 30,000, according to Argentine human rights groups)\(^{16}\) and the torture of thousands during the Dirty War, which occurred under military rule from 1976 to 1983. Since the Argentine Supreme Court overturned amnesty laws in 2003, more than 550 people, including many former military and police officials, have been convicted for the atrocities committed under military rule. These have included former military rulers General Jorge Rafael Videla (1976-1981), who died in prison in 2013, and General Reynaldo Bignone (1982-1983), who remains in prison. Argentine judicial authorities continue to investigate and prosecute individuals implicated in the disappearances, killings, and torture committed during the Dirty War, as well as cases of kidnapping and the illegal adoption of children born to those detained under the dictatorship.\(^{17}\) (For information on President Obama’s decision to declassify U.S. documents from the Dirty War era, see “President Obama’s March 2016 Visit to Argentina” below.)

Despite progress in addressing past abuses, some human rights groups criticized the Fernández government regarding press freedom as well as alleged efforts to thwart judicial independence. Press rights groups criticized the government for punishing media outlets critical of the government by withholding public advertising and instead awarding such advertising to outlets close to the government.

Over the past several years, the Fernández government battled with the Clarín media group, which owns Argentina’s most widely read newspaper, as well as radio stations, broadcast and cable television outlets, and an Internet service provider. In 2009, the government enacted a controversial law regulating broadcast and print media that it indicated was designed to strengthen pluralism and information freedom. The government maintained that it wanted Clarín to sell some of its assets in order to create more competition in the media market, while some press rights groups contended that the government actually wanted to muzzle Clarín, which has often been critical of the government. In October 2013, Argentina’s Supreme Court upheld key


provisions of the law. Clarín subsequently presented a plan to the government to break up its holdings into six different companies. An outline of the plan initially had been approved by the government’s regulatory agency, the Federal Audiovisual Communications Authority (AFSCA) in February 2014, but in October 2014, the board of directors of AFSCA voted against Clarín’s plan and said that the agency itself would undertake enforcement of the media law and the breakup of the media group. The president of the AFSCA said that Clarín’s plan would have maintained linkages among the new companies and violated the spirit of the media law. Clarín maintains that the government was attempting to stifle dissent and appropriate private property.

As noted above, President Macri issued a decree in late December 2015 that significantly amended the 2009 media law. The decree abolished the AFSCA and another regulatory body that had been set up to oversee telecommunications, the Federal Authority for Information Technology and Communications (AFTIC), and replaced both of them with a new entity, the National Communications Body (ENACOM). The Macri government and some press rights groups maintained that the regulatory process had become politicized under the Fernández government. Some protests against the Macri government’s changes to the media law took place in mid-January 2016, with critics arguing that the government’s action removed limits to media concentration and therefore jeopardizes freedom of expression.

Economic Snapshot and Challenges

With a gross domestic product (GDP) of $579 billion (2015, IMF), Argentina has the third-largest economy in Latin America after Brazil and Mexico. The country has vast natural resources, including abundant fertile land suitable for agriculture, which have traditionally been the main drivers of economic growth. A highly educated population and a diversified industrial base also contribute to growth. Argentina is classified by the World Bank as having a high-income economy. Poverty rates, which had increased a decade ago because of the 2001-2002 financial crisis, have fallen considerably in recent years as the economy has recovered. In 2012, Argentina’s urban poverty rate was 4.3% compared to 24.8% in 2006.

The global economic recession in 2009 had a negative effect on the Argentine economy, which contracted slightly by 0.1%. The economy rebounded in 2010 and 2011, however, with growth averaging 8.9%, due to an improvement in the global economy and higher demand for Argentina’s exports by China (especially soybeans) and Brazil (especially cars and other vehicles). Argentina’s economic growth slowed considerably in 2012 to an estimated 0.8% due to a variety of factors. These include sluggish global demand, high inflation, and a drought that affected agricultural production. Growth was also dampened by domestic economic policies, such as import and foreign currency controls, which discouraged foreign investment and made it more

---


21 According to the World Bank, a high-income economy in FY2016 has a gross national income (GNI) per capita income (calculated using the World Bank Atlas method) of $12,736 or more. Using this method, the Bank estimates that Argentina’s per capita income was estimated at $13,480 in 2014.

difficult for businesses to acquire capital goods. In 2013, a strong agricultural harvest resulted in an estimated growth rate of 2.9%. In 2014, however, economic growth slowed to an estimated 0.5% because of macroeconomic imbalances and uncertainties related to the standoff with holdout creditors.\(^{23}\)

In October 2015, the International Monetary Fund (IMF) forecast that the economy would contract 0.4% in 2015, but in January 2016, it estimated that the economy grew 1.5% in 2015, likely resulting from the government’s expansionary fiscal policy ahead of the 2015 elections. For 2016, the IMF is projecting a contraction of 1%, slightly worse than the 0.7% contraction forecast in October 2015. Nevertheless, the IMF maintains that the Macri government has begun “an important transition to correct macroeconomic imbalances and microeconomic distortions.” It lauded the government’s significant steps of eliminating currency restrictions, removing several constraints on international trade, and partially removing energy subsidies. According to the IMF, the government’s new approach has improved growth prospects for the medium term, but is likely to generate a mild recession in 2016.\(^{24}\)

The Fernández government had consistently understated inflation since 2007. In February 2014, the government took action to improve its reporting on inflation and unveiled a new consumer price index, but private economists remained skeptical. Private economists estimate that inflation was 38% in 2014 by year’s end and 26% in 2015 by year’s end. As noted above, the Macri government is overhauling the National Institute of Statistics and Census (INDEC), and the agency maintains that it will take until June 2016 to publish new data. There are concerns about rising inflation stemming from the government’s actions of removing foreign currency controls and cutting electricity tariffs. The Economist Intelligence Unit is forecasting a 33% year-end inflation rate in 2016, followed by a significant decline to almost 16% in 2017.\(^{25}\)

A significant challenge for Argentina is resolving its outstanding defaulted external debt owed to remaining private creditors (approximately $15 billion, with principal and past-due interest) who did not participate in Argentina’s 2005 and 2010 bond exchanges. The outstanding debt has effectively blocked Argentina from the international credit markets. As noted above, the Macri government vowed to negotiate with the holdout creditors and ultimately reached a settlement with most of them in February 2016; the settlement is now awaiting final approval by Argentina’s Congress, which is expected by the end of March. Also on a positive note, the Fernández government had reached an agreement with the Paris Club group of official creditors in May 2014 to repay some $9.7 billion (including $608 million owed to the U.S. government) over a five-year period.\(^{26}\) (See “Debt Issues” below.)

### U.S.-Argentine Relations

In the aftermath of Argentina’s return to democracy in 1983, the United States and Argentina developed strong relations, which were especially close during the presidency of Carlos Menem

---

\(^{23}\) GDP growth, constant prices. IMF, World Economic Outlook Database, October 2015 edition.


\(^{26}\) The Paris Club is an informal group of 19 creditor nations, including the United States, Canada, Japan, and many European countries. The group meets about 10 times annually to collaborate on official debt workout mechanisms for developing countries. “Paris Club Confirms First Receipt of Argentine Arrears,” Reuters News, August 4, 2014; “Country Pays Fresh Installment of Debt to Paris Club,” Buenos Aires Herald, May 29, 2015.
At times, however, there have been tensions in the bilateral relationship. The tough U.S. approach toward Argentina during its political and financial crisis in 2001-2002, in which the United States supported the cutoff of assistance from the IMF until Argentina committed to a sustainable economic plan, caused friction.

Tensions in bilateral relations increased in 2011 because of two incidents that occurred in the aftermath of a White House decision to exclude a visit to Argentina on President Obama’s first trip to South America. First, then-Argentine Foreign Minister Hector Timerman criticized the decision of the then-mayor of Buenos Aires, Mauricio Macri, to send two police officials to the U.S.-backed International Law Enforcement Academy in El Salvador, which provides police management and specialized training to officials from throughout Latin America. Timerman publicly suggested that the school was teaching oppressive tactics. In another incident in 2011, Argentine officials seized U.S. government equipment associated with joint training activities on hostage rescue and crisis management between U.S. military personnel and Argentine federal police. According to the Department of State, the training had been approved by Argentine officials and the equipment involved was standard gear associated with the training. Then-Foreign Minister Timerman supervised the seizure of the cargo at the airport (opening part of the cargo in front of the press), which, according to U.S. officials, was coordinated at the highest levels of the Argentine government. Ultimately, tensions waned after an Argentine court ruled that the incident was not a criminal case, but a problem with customs clearance.

In September 2014, Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson acknowledged that U.S.-Argentine relations were in a tough period. She maintained that the litigation involving private creditors is an issue for the courts to decide, but expressed hope “that it can be resolved in a way that Argentina can return to the international community, that Argentina can begin to grow and be productive again.” Argentine officials, likely attempting to play to a domestic audience, lashed out at the United States in 2014 regarding the debt issue. President Fernández also asserted in a speech on September 30, 2014, that “if anything happens to me ... look North,” referring to the United States, and alleged that economic sectors in Argentina wanted to oust her government with outside help.

Despite the periodic flare-up of tensions in relations, the State Department maintains that bilateral relations are based on such shared interests as “science and technology, education, trade, regional peace and stability, non-proliferation, cultural exchanges, human rights, and social inclusion.” Current U.S. Ambassador to Argentina Noah Mamet maintains that the United States “wants and needs a strong democratic partner like Argentina to address global issues,” including working

---

29 U.S. Department of State, Assistant Secretary of State, Bureau of Western Hemisphere Affairs, Roberta S. Jacobson, “U.S. Priorities in the Western Hemisphere,” September 26, 2014.
31 “Presidenta: ‘Si Me Pas Algo, Que Nadie Mire hacía el Oriente, Miren hacía el Norte,’” Agencia Diarios y Noticias (Buenos Aires), September 30, 2014; Cristina Fernández Says ‘Look North’ If Anything Happens to Her,” Telesur, October 1, 2014.
together “to reverse climate change, combat narco trafficking, increase security, provide peacekeeping, and prevent the spread of dangerous weapons around the world.”

U.S. officials commend Argentina’s contributions to international peacekeeping operations. Because of these contributions, the United States designated Argentina as a major non-NATO ally in 1997. Argentina has not traditionally received much U.S. foreign assistance because of its relatively high per capita income, but in recent years it has received small amounts of assistance for military education and training and assistance to enhance its strategic trade control compliance and enforcement. In FY2015, the United States provided $576,000 in such assistance. In FY2016 and FY2017, the Administration requested $550,000 for each fiscal year.

Changes in Bilateral Relations Under the Macri Government

The election of Mauricio Macri has brought to power a government that appears to be committed to maintaining constructive bilateral relations. In the aftermath of that election, U.S. Secretary of State John Kerry congratulated the Argentine people for the successful elections, which he said reflected “Argentina’s strong democratic values,” and said that the United States looks forward to working closely with Macri and his government. The Secretary expressed confidence that the United States and Argentina “would continue to work closely to promote regional security and prosperity, and to enhance human development and human rights both within our hemisphere and across the globe.”

In the aftermath of Argentina’s presidential election, the Chairman and Ranking Member of the House Committee on Foreign Affairs, Representative Edward Royce and Representative Elliot Engel, sent a letter to President Obama urging the Administration to prioritize relations with Argentina over the next year. The Members urged the Administration to consider several actions designed to revitalize bilateral relations. The recommendations included increasing public diplomacy with Argentina; initiating a U.S.-Argentina high level economic dialogue; providing technical assistance on economic and trade issues; supporting the resolution of arbitrations claims and “holdout” bond holders; encouraging regional leadership from Argentina; and improving counternarcotics cooperation.

Vice President Joe Biden met with President Macri on the sideline of the World Economic Forum in Davos, Switzerland, on January 21, 2016. The leaders “discussed opportunities to strengthen bilateral relations in the coming year, including through increased cooperation on commercial and trade ties, defense and security issues, and educational exchanges.” The White House readout of the meeting acknowledged Argentina’s “renewed efforts to attract foreign investment and reintegrate into the world economy” and noted that following on these efforts, the two leaders “pledged to deepen the bilateral partnership to build a hemisphere that is democratic, middle class, and secure.”

Additionally, following a sideline meeting between Treasury Secretary Jack Lew and Argentine Finance Minister Alfonso Prat-Gay at Davos, the Treasury Department announced that it would no longer oppose lending to Argentina from the multilateral development banks and that the policy change was prompted by the Argentine government’s “progress on key issues and positive economic policy trajectory.”

(In March 2016, Argentina secured $3.5 billion in World Bank financing over the next two years to help fund water, health, and housing projects as well as a child welfare program.)

President Obama’s March 2016 Visit to Argentina

As a demonstration of the change in U.S.-Argentine relations, the White House announced in February that President Obama would visit Argentina on March 22-24, 2016, to discuss President Macri’s reform agenda and recognize his contributions to the defense of human rights in the region. The trip will be the first state visit since President Clinton visited in 1997. According to the White House, President Obama’s visit has the goal of increasing bilateral cooperation in such areas as trade and investment, renewable energy and climate change, and citizen security.

President Obama is scheduled to arrive late on March 22 (arriving from Cuba), and the official visit will begin on March 23 with an arrival ceremony at the Casa Rosada (Argentina’s presidential mansion) and a bilateral meeting with President Macri. According to National Security Adviser Susan Rice, the two leaders will announce new bilateral partnerships, including efforts to combat crime and drug trafficking, promote sustainable energy development, and fight climate change.

President Obama also will attend a town hall with young Argentines, and President Macri will host a state dinner.

Ahead of President Obama’s visit, Rice said that the President would announce a comprehensive effort to declassify documents, including military and intelligence records, from the era of Argentina’s Dirty War. The United States already has released some 4,700 partially declassified documents from that period. President Obama’s trip will coincide with the 40th anniversary of the military coup on March 24, 1976, that began the dark period of military rule in Argentina. According to Rice, to demonstrate a shared concern for human rights, President Obama will visit the Parque de la Memoria (Remembrance Park) to honor the victims of the Dirty War.

On March 24, President Obama is scheduled to travel to the mountain town of Bariloche in the Patagonia Province of Rio Negro in southwestern Argentina. Some press reports indicate that the White House reorganized the trip so that the President would not be in Buenos Aires on the anniversary of the military coup that began the Dirty War.

Some Argentine human rights activists, including 1980 Nobel Peace Prize winner Adolfo Pérez Esquivel, had criticized President Obama’s trip to Argentina on the anniversary of the coup.

---


39 White House, “Statement by the Press Secretary on the President’s Travel to Cuba and Argentina,” February 18, 2016; and “Press Call to Preview the President’s Travel to Cuba and Argentina,” March 16, 2016.


Trade and Investment Issues

With regard to U.S.-Argentine commercial relations, the United States ran a $5.4 billion trade surplus with Argentina in 2015, exporting $9.3 billion in goods to the country (led by machinery and oil) and importing about $3.9 billion in goods (led by crude oil and other petroleum products). In 2015, Argentina was the 28th-largest export market for the United States. The United States was Argentina’s third-largest trading partner (after Brazil and China) in 2014, with imports from the United States accounting for almost 14% of Argentina’s total imports and exports to the United States accounting for almost 6% of its total exports.42

According to the U.S. Trade Representative’s 2015 National Trade Estimate Report on Foreign Trade Barriers, Argentina imposed a growing number of customs and licensing procedures and requirements in recent years that made importing U.S. products more difficult. In August 2014, a World Trade Organization (WTO) dispute settlement panel ruled that Argentina’s import license restrictions violated WTO rules. Argentina subsequently lost an appeal to the WTO in January 2015. The case had been initiated by the United States, the European Union, and Japan. In July 2015, Argentina agreed that it would comply with the WTO ruling by the end of 2015.43

In another trade case, the WTO ruled in July 2015 that the United States failed to adhere to its international obligations when it banned imports of fresh beef from Argentina because of concerns over a 2001 foot-and-mouth (FMD) disease outbreak. In July 2015, however, the U.S. Department of Agriculture’s (USDA’s) Animal and Plant Health Inspection Service (APHIS) issued final rules to allow the import of fresh beef from Argentina.44 For the import restrictions to be lifted, USDA’s Food Safety and Inspection Service must determine if Argentina’s food safety system for beef provides the same level of food safety as the U.S. system. Both the House and Senate FY2016 Agricultural Appropriations bills, H.R. 3049 and S. 1800, included provisions that would have prohibited USDA funding to implement, administer, or enforce a lifting of the ban on beef from Argentina. Some Members of Congress had concerns about the prospect of FMD threatening the U.S. cattle supply. Ultimately, the FY2016 omnibus appropriations measure (P.L. 114-113) did not include such a provision; however, the law did include a provision (Section 752, Division A) requiring APHIS to establish a prioritization process for conducting audits and reviews of countries that have been granted animal health recognition status. (For more information, see CRS In Focus IF10373, Fresh Beef Import Rules for Brazil and Argentina, by Joel L. Greene.)

The stock of U.S. foreign direct investment in Argentina amounted to $13.4 billion in 2014, with investment concentrated in manufacturing, mining, energy, information technology, and finance.45 More than 500 U.S. companies are invested in the country.

---

42 U.S. trade statistics are from the Department of Commerce, as presented by Global Trade Atlas. Argentina’s trade partners were derived from Argentine statistics presented by Global Trade Atlas.


Although the United States and Argentina have a bilateral investment treaty in place, the Kirchner and Fernández governments had taken actions in recent years that dampened the investment climate. Nevertheless, the Fernández government took several positive measures in 2013 and 2014. These actions included settling several outstanding international arbitral awards; engaging with the IMF to improve Argentina’s reporting of its economic growth and inflation data; and reaching an agreement with the Paris Club group of official creditors in May 2014 to repay Argentina’s overdue debt. Despite these actions, the U.S. Department of State maintained in its 2015 Investment Climate Statement on Argentina that investor confidence in the country remained low because of long-standing concerns regarding the lack of transparency in government policymaking; efforts by the government to curb the remittance of profits abroad; currency controls that delay companies’ access to dollars to pay suppliers; and a comprehensive import licensing system that makes it difficult to import materials for businesses. The Macri government’s policy changes to attract foreign investment and reintegration Argentina into the world economy will likely have a significant positive effect on the investment climate in the country, and that effect is likely to be reflected in the forthcoming State Department’s 2016 Investment Climate Statement on Argentina.

Argentina also has been on the U.S. Trade Representative’s (USTR’s) Special 301 Priority Watch List since 1996 because of problems with intellectual property rights enforcement; USTR’s 2015 report maintains that Argentina made little progress in this area over the past year and noted particular concern over high levels of piracy and counterfeiting and the lack of enforcement by the national government. In a December 2015 report on notorious markets worldwide engaging in copyright piracy and trademark counterfeiting, USTR cited the “La Salada” market in Buenos Aires as South America’s largest black market, where “sellers of counterfeited and pirated products deal openly because enforcement reportedly has been small-scale and intermittent.”

Debt Issues

Argentina’s 2001 default has been a long-standing issue in relations with the United States. Argentina faced an acute economic crisis in 2001 that led to its default on nearly $100 billion of debt: $81.8 billion owed to private creditors; $6.3 billion owed to other governments, including the United States; and $9.5 billion owed to the IMF. Reaching a resolution to the government’s default has been a complex process that has taken more than a decade. Argentina repaid the IMF in full in 2006 and reached an agreement to repay other governments in May 2014. In terms of debt owed to private creditors, Argentina restructured more than 90% of the debt owed to private bondholders in 2005 and 2010 but remained in default on the holdouts. In a bid to regain access to international capital markets and normalize Argentina’s status in the international economy, President Macri restarted talks with holdout creditors. An agreement was reached with the largest remaining holdouts in February 2016.

48 Office of the United States Trade Representative (USTR), 2015 Special 301 Report, April 2015.
50 Some of the material in this section is drawn from CRS Report R41029, Argentina’s Defaulted Sovereign Debt: Dealing with the “Holdouts”, by J. F. Hornbeck.
Debt Owed to the Paris Club Countries

After more than a decade, Argentina took steps in 2014 to resolve its default on debt owed to the “Paris Club” countries. The Paris Club is a voluntary, informal group of creditor governments, including the United States, which negotiates and/or reduces debt owed to them by other countries on a case-by-case basis. After defaulting on its Paris Club debt in 2001, Argentina negotiated with the Paris Club in 2008 and 2010, but the parties failed to reach an agreement in these talks.

As economic conditions in Argentina became more difficult, including being cut off from international capital markets and facing a shortage of foreign currencies (particularly dollars), Argentina again approached the Paris Club countries in January 2014 with a proposal for repaying its debts to these governments. In May 2014, a multilateral agreement was reached between the Argentine government and the Paris Club countries that set out repayment terms for the amount outstanding, which had grown to $9.7 billion including the principal and accrued interest, including $608 million to the United States. In addition to the U.S. government, Argentina owes money to Germany and Japan, which together account for more than half of Argentina’s Paris Club debt, as well as the Netherlands, Spain, Italy, and Switzerland. Markets responded positively to the announcement of the agreement.

Following the Paris Club agreement, the United States signed a bilateral implementing agreement with Argentina in February 2015 that entered into force on April 13, 2015. As a result, Argentina is no longer in default on debt owed to the U.S. government. This lifted restrictions on assistance to Argentina in place pursuant to the Foreign Assistance Act of 1961 (Section 620(q)), which prohibits aid to countries in default to the U.S. government. Argentina has stayed current on its repayments to the U.S. government under the new agreement and, at the end of 2014 (latest data available), owed Paris Club governments about $6.5 billion.

Debt Owed to Private Bondholders

Resolving Argentina’s default on privately held debt has been a long process. Most of the defaulted debt held by private creditors was resolved through bond exchanges offered by the Argentine government in 2005 and again in 2010. In the exchanges, the Argentine government extended a unilateral offer to private bondholders to exchange the defaulted bonds for new bonds at a steep loss (approximately a net present value loss of 70%). Although the terms were widely viewed as unfavorable for the bondholders, more than 90% of bondholders agreed to participate in the exchanges. Until recently, investors holding the restructured Argentine bonds received the full payments due on these bonds. Legal rulings in 2014 prevented investors from receiving payments, as discussed below.

---

52 For more on the Paris Club, see CRS Report RS21482, *The Paris Club and International Debt Relief*, by Martin A. Weiss.
A small group of private investors—the holdouts—did not participate in the exchanges and did not receive any payment from Argentina following the 2001 default. In 2014, Argentina estimated that the claims totaled approximately $15 billion, including principal and past-due interest. Most of the holdouts are hedge funds that bought the bonds in secondary markets at steep discounts after the default. The holdouts have pursued litigation to seek full repayment from Argentina, primarily in the United States, since a large proportion of Argentine bonds were issued under New York law.

Although the legal cases have examined a number of issues, the most consequential ruling relates to the interpretation of a clause in the bond contracts that dictates creditors be treated equally: the pari passu clause. A smaller group of the holdout creditors, with claims totaling $1.3 billion, argued that paying the exchange bondholders while repudiating the holdout bonds is a breach of this provision. In 2012, a New York federal district court judge, Thomas Griesa, ruled in favor of the holdouts. As a result, if Argentina did not pay the group of litigating holdouts, U.S. financial institutions legally could no longer transfer interest payments from Argentina to the exchange bondholders.\footnote{Richard Deitz, “A Sensible Path for Avoiding an Argentine Default,” \textit{Wall Street Journal}, July 2, 2014; Alison Frankel, “The Other Loser in Argentina Debt Saga: U.S. Courts,” \textit{Reuters}, July 31, 2014.} In effect, for Argentina to pay the exchange bondholders, it would have to pay the holdouts as well. The ruling was appealed, eventually reaching the U.S. Supreme Court. The Supreme Court announced in June 2014 that it would not hear the case, letting the previous ruling stand.

Following the Supreme Court announcement, the Argentine government faced a difficult decision. It could either (a) pay the holdouts and the exchange bondholders or (b) pay neither group and default on the exchange bonds debt. Paying the holdouts would have been financially and politically costly, requiring a sizeable portion of Argentina’s foreign exchange reserves, and could have been seen as the Argentine government “caving” to foreign investors.\footnote{Thomas Landon, Jr., “Argentine Economist Says Bond Holdouts Should be Paid,” \textit{New York Times}, September 3, 2014.} Even though the Argentine government transferred funds to pay the holders of the restructured bonds, intermediary banks were not legally able to process the payments. In 2014, credit rating agencies declared Argentina to be in default, for the eighth time in the country’s history. Some analysts argued that the Fernandez government had “staked [President Fernandez’s] political career on fighting the holdouts.” In June 2015, the Argentine government announced that it would not negotiate with holdout creditors due to “unwarranted attacks,” maintaining that the holdouts “have sought orders freezing immune diplomatic assets ... and sought to thwart clearly legitimate domestic debt issuances.”\footnote{Richard Lough, “Argentina Says No Debt Negotiations While ‘Attacks’ Continue,” \textit{Reuters}, June 1, 2015.}

Argentina’s policy stance toward the holdouts changed dramatically after President Macri took office in December 2015. Macri quickly moved to pursue a number of economic reforms to strengthen Argentina’s economy, repair its “rouge debtor” reputation, and attract foreign investment. Reaching a settlement with the holdouts was viewed as key to achieving these goals, and the new government restarted negotiations with the holdouts before a court-appointed mediator in January 2016. In early February, Argentina settled with a group of Italian bondholders for $1.35 billion and with two of the six largest hedge funds for $1.1 billion.

As negotiations with the remaining holdouts continued, Argentina appealed to the New York judge, Thomas Griesa, that the injunction preventing Argentina from paying holders of the restructured bonds should be lifted, given Argentina’s willingness to bargain with the hedge
funds. On February 19, 2016, Griesa agreed, saying that Macri’s election had “changed everything.” The judge’s decision increased pressure on the remaining holdouts to reach a deal. On February 29, the Argentine government reached a deal with four of the remaining hedge funds, including Elliott Management, one of the leading creditors in the dispute, for $4.65 billion. This figure was about 25% less than the hedge funds were claiming, but it also was a gain of roughly 10 to 15 times the hedge funds’ initial investment. With this deal, agreements will have been reached with 85% of the disputed debt. The remaining small bondholders not included in the deal may still accept an offer extended by the Argentine government in early February 2016, but the terms are not as favorable as those negotiated with the hedge funds.

Implementing the new agreement requires legislative action in Argentina. Although President Macri’s party is in a minority position in both houses of the Argentine Congress, many analysts are optimistic that the administration will be able to secure the required votes. As noted above, Argentina’s lower house approved the agreement by a substantial margin on March 16, 2016, and the measure now goes to Argentina’s Senate. The government reportedly plans to pay the bondholders through a $15 billion bond issue, so it does not need to tap its foreign exchange reserves.

**AMIA Investigation and Death of Alberto Nisman**

Congress has expressed concern over the years about progress into the investigation of the July 1994 bombing in Buenos Aires of the Argentine-Israeli Mutual Association (AMIA) that killed 85 people. Both Iran and Hezbollah (the radical Lebanon-based Islamic group with strong ties to Iran) are alleged to be linked to the AMIA bombing as well as to the 1992 bombing of the Israeli Embassy that killed 30 people.

In 2004, Argentine Special Prosecutor Alberto Nisman was appointed to lead the AMIA investigation. Until then, progress on the investigation and prosecution of those responsible for the 1994 bombing had been stymied because of the government’s mishandling of the case. In September 2004, a three-judge panel acquitted all 22 Argentine defendants in the case and faulted the shortcomings of the original investigation. With Nisman’s appointment in 2004, however, the government moved forward with a new investigation. As a result, an Argentine judge issued arrest warrants in November 2006 for nine foreign individuals: an internationally wanted Hezbollah militant from Lebanon, Imad Mughniyah (subsequently killed by a car bomb in Damascus, Syria, in 2008) and eight Iranian government officials.

INTERPOL, the International Criminal Police Organization, subsequently posted Red Notices (international wanted persons notices) in 2007 for Mughniyah and five of the Iranian officials: Ali Fallahijan (former Iranian intelligence minister, 1989-1997); Mohsen Rabbani (former Iranian cultural attaché at the Iranian Embassy in Buenos Aires); Ahmad Reza Asghari (former third

63 “Argentina Reaches a Deal with its Creditors,” *Economist*, March 1, 2016.
Argentina: Background and U.S. Relations

secretary at the Iranian Embassy in Buenos Aires); Ahmad Vahidi (who served as Iran’s defense minister from 2009 to 2013); and Mohsen Rezai (former commander of Iran’s Islamic Revolutionary Guard Corps, 1981-1997, and two-time presidential candidate). In 2009, Argentina also issued an arrest warrant for the capture of Samuel Salman El Reda, a Colombian citizen thought to be living in Lebanon, alleged to have coordinated a Hezbollah cell that carried out the bombing; he was subsequently added to the INTERPOL Red Notice list.

The Argentine government shifted its stance in 2011 with respect to engagement with Iran over the AMIA bombing issue. President Fernández indicated Argentina’s willingness to enter into a dialogue with the Iranian government despite its refusal to turn over suspects in the case. Several rounds of talks with Iran were held in 2012, with then-Argentine Foreign Minister Hector Timerman leading the effort. In January 2013, Argentina announced that it had reached an agreement with Iran and signed a memorandum of understanding to establish a joint Truth Commission made up of impartial jurists from third countries to review the bombing case. After extensive debate, Argentina’s Congress completed its approval of the agreement on February 28, 2013. Argentina’s two main Jewish groups, AMIA and the Delegation of Israeli Associations (DAIA), strongly opposed the agreement because they believe that it could guarantee impunity for the Iranian suspects. Several Members of the U.S. Congress also expressed their strong concerns about the Truth Commission because they believed it could jeopardize Argentina’s AMIA investigation and charges against the Iranians.

In May 2013, Nisman issued a 500-page report alleging that Iran has been working for decades in Latin America, setting up intelligence stations in the region by utilizing embassies, cultural organizations, and even mosques as sources of recruitment. In the report, Nisman highlighted the key role of Mohsen Rabbani (one of eight Iranian officials wanted by Argentina for the AMIA bombing) as Iran’s South America “coordinator for the export of revolution,” working in the tri-border countries of Argentina, Brazil, and Paraguay as well as in Chile, Colombia, and Uruguay. The Nisman report contended that the 1994 AMIA bombing was not an isolated act but was part of a regional strategy involving Iran’s establishment of intelligence bases in several countries using political, religious, and cultural institutions that could be used to support terrorist acts.

In May 2014, an Argentine court declared unconstitutional the agreement with Iran to jointly investigate the AMIA bombing. Special Prosecutor Nisman had maintained that the agreement with Iran constituted an “undue interference of the executive branch in the exclusive sphere of the judiciary.” The Fernández government maintained that it would appeal the ruling to Argentina’s Supreme Court. In a speech before the U.N. General Assembly on September 24, 2014, President Fernández acknowledged the 20th anniversary of the AMIA bombing and expressed support for the memorandum of understanding with Iran, maintaining that it would enable the accused Iranian citizens to make statements before an Argentine judge. As noted above, soon after his election in 2015, President Macri said that his government would be dropping an appeal to the court decision that was started by the Fernández government.

On January 14, 2015, Nisman made explosive accusations that President Fernández and other government officials attempted to whitewash the AMIA investigation to secure oil supplies from Iran and restore Argentina’s grain exports to Iran. However, just four days later, and one day before he was to testify before Argentina’s Congress, Nisman was found dead in his apartment from a gunshot wound. Although preliminary reports indicated that Nisman committed suicide, a majority of Argentines, including President Fernández, contend that Nisman was murdered. The president maintained that Nisman was misled into making the accusations against her government by elements in Argentina’s Intelligence Secretariat (SI) that had conducted illegal wiretaps of government officials. Fernández called for the dissolution of the SI, and in February 2015, Argentina’s Congress approved a measure setting up a new intelligence service, the Federal Agency of Investigations (AFI). Nisman’s death prompted a massive demonstration in Argentina, with tens of thousands of participants. A federal prosecutor in Argentina pursued Nisman’s case against President Fernández related to Iran, but the case was thrown out by several Argentine courts and ultimately dismissed by the country’s highest appellate court in April 2015.

The investigation into Nisman’s death continues, although many observers are skeptical that the truth will be uncovered. In December 2015, a week after President Macri took office, Judge Fabiana Palmaghini took over the investigation of Nisman’s death from the prosecutor in the case. On the anniversary of Nisman’s death in January 2016, President Macri ordered the declassification of all state information related to Nisman since September 2012, when Argentina’s talks with Iran over AMIA reportedly began. In early March 2016, just hours after former SI head Antonio Stiuso testified that Nisman had been killed by a group with ties to former President Fernández, Judge Palmaghini ruled that the case should be elevated to the federal courts.

In the aftermath of Nisman’s death, Argentina’s attorney general appointed a team of four lawyers in February 2015 to continue the work of the AMIA investigation. Court proceedings began in Buenos Aires in August 2015 against 13 former officials alleged to be involved in efforts to cover up the 1994 bombing investigation. The suspects include former President Carlos Menem (1989-1999), former judge Juan José Galeano, two former prosecutors who conducted investigations during the 1990s, three former intelligence officials, two former police officials, a former head of DAIA, and the owner of a van used in the AMIA bombing.

In December 2015, President Macri established a special unit within the Justice Ministry to investigate the AMIA bombing. The head of the new unit, former UCR leader Mario Cimadevilla, maintained that Macri’s election opened up a new route into solving the case and praised President Macri’s decision to drop the agreement with Iran to jointly investigate the AMIA bombing.

---


Outlook

President Mauricio Macri’s victory in the country’s second-round presidential election in November 2015 is ushering in significant changes to Argentina’s economic and foreign policies. The Macri government has already moved ahead with market-friendly economic policies, including the elimination of currency controls, the elimination or reduction of taxes on agricultural exports, efforts to revamp the government agency issuing inflation statistics, and an apparent resolution of the long-standing dispute with holdout creditors. Economic adjustment measures are expected to trigger a mild economic downturn in 2016, but they are anticipated to improve prospects for future economic growth. Given that Macri’s party and electoral coalition only have a minority in Congress, the government could face difficulty moving forward with some of its policy changes.

In the foreign policy arena, the Macri government is moving to improve relations with neighboring Brazil and Uruguay and is seeking to improve relations with the pro-market countries of the Pacific Alliance. For some observers, Macri’s election and policy changes signal an ebbing of the so-called pink tide populist leftist governments in the region and could portend a growing role for Argentina in Latin America and its regional institutions.

As noted, U.S.-Argentine relations generally have been characterized by robust commercial relations and cooperation in a number of areas, including nonproliferation, human rights, education, and science and technology, although in recent years there have been tensions in the relationship. Macri’s election has brought to power a government that appears committed to maintaining constructive bilateral relations. Some Members of Congress also have expressed optimism about the future of bilateral relations under the Macri government and have urged the Obama Administration to prioritize relations with Argentina in 2016. The Obama Administration has acknowledged the efforts of the Macri government to attract foreign investment and reintegrate Argentina into the world economy, and it is looking to deepen bilateral relations with Argentina. President Obama’s upcoming trip to Argentina is a significant step in that direction.
Appendix. Selected U.S. Executive Branch Reports


Author Contact Information

Mark P. Sullivan
Specialist in Latin American Affairs
msullivan@crs.loc.gov, 7-7689

Rebecca M. Nelson
Specialist in International Trade and Finance
rnelson@crs.loc.gov, 7-6819